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FACT SHEET

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Performance-Based Infrastructure: Courthouse Construction

The need for trial court construction and repair in California is immense, with an estimated cost of approximately \$3 billion just for immediately needed courthouse projects. As no single source of public funds is large enough to finance these projects, the State of California, through the Judicial Council/Administrative Office of the Courts, is exploring new and promising ways to construct court buildings in partnership with the private sector. In such arrangements, the Administrative Office of the Courts (AOC) can leverage the equity it holds in buildings and properties, bringing in private capital to finance, build, and operate new court buildings. Often referred to as “performance-based infrastructure (PBI)” agreements, these public-private partnerships capitalize on the development expertise of the private real estate, design, construction, and facilities operations sector, while ensuring that projects meet their objective of providing high-quality infrastructure for the public. In a ‘typical’ PBI project, private sector participants share some of the risks associated with financing, construction, and operation of the building or infrastructure. As a result, needed infrastructure can be constructed more quickly and cost-effectively than through a conventional public development process; in addition to designing, building, and financing the new construction, private sector participants typically take on the responsibility of operating the buildings, thus ensuring that the buildings work as intended.

New Funding Approach

PBI agreements are beginning to emerge as a method for developing new approaches to the financing of public buildings. PBI court building projects have been carried out successfully in Australia, Canada, and the United Kingdom. In the United States, however, experience with large PBI projects has been limited so far to the transportation sector (i.e., highways and bridges) whose requirements and financing

structure are significantly different from those involved in the construction of buildings. As a result, the applicability of this type of arrangement to the list of court projects in California with immediate needs has not been fully identified. According to Governor Schwarzenegger's office: "Because of the formative nature of the court system's public-private partnership efforts, it is difficult to estimate the amount of resources that will be leveraged. However, \$2 billion over the next several years appears to be a reasonable target."

New Long Beach Court Building

Among the courts with the greatest need for replacement is the Long Beach court building. When compared with currently accepted court design standards, this courthouse suffers from fundamental flaws, is overcrowded, and doesn't meet accessibility requirements. Because of recent commercial and residential redevelopment around the current court location in Long Beach's traditional civic center, the state intends to benefit from a PBI project that redevelops the existing property and constructs a new court in an appropriate nearby location.

As a part of its role in managing the overall project for Long Beach, the AOC has retained consultants with experience with similar endeavors, to assist in the definition of the proper components for such an arrangement. The management team will consult with the Superior Court of Los Angeles County, the Legislature, the executive branch, and other key stakeholders in drafting the requirements for the new court building. After evaluating statements of qualifications and interest from firms in the financial, real estate, and development community, the AOC will request detailed proposals for financing, design, construction, and operation of a new court building.

Subsequently, the AOC management team will evaluate proposals based not only on compliance with the Judicial Council's construction requirements, but also on their financial value, quality of design, and efficient operational practices. Although many challenges need to be addressed, the AOC expects to receive definitive development proposals and select a developer within a year.

Future PBI Courthouse Projects

In defining the ground rules for redevelopment and construction of a new court building under a PBI process, the AOC will pioneer the process in California for such undertakings. The AOC currently has transferred more than 25 percent of the 451 existing court buildings and facilities throughout the state. As the titles to more buildings are transferred, it is likely that future PBI opportunities will be evaluated based on the parameters developed for the new Long Beach court building. While all

of the courts that are currently scheduled for replacement have been designated as “immediate” need projects, those with the greatest private sector real estate potential are the mostly likely candidates to be approached as PBI projects.

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Additional resources:

www.courtinfo.ca.gov/programs/occm